

## India's GDP growth forecast revised downward to 7.0% in 2019 and 7.2% in 2020: IMF World Economic Outlook, July 2019

According to IMF World Economic Outlook, July 2019, global growth is forecast at 3.2% in 2019, picking up to 3.5% in 2020. As per the Outlook, global growth remains subdued. Since the April World Economic Outlook (WEO) report, the United States further increased tariffs on certain Chinese imports and China retaliated by raising tariffs on a subset of US imports. Additional escalation was averted following the June G20 summit. Global technology supply chains were threatened by the prospect of US sanctions, Brexit related uncertainty continued, and rising geopolitical tensions roiled energy prices.

Investment and demand for consumer durables have been subdued across advanced and emerging market economies as firms and households continue to hold back on long-term spending. Accordingly, global trade, which is intensive in machinery and consumer durables, remains sluggish. The projected growth pickup in 2020 is precarious, presuming stabilization in currently stressed emerging market and developing economies and progress toward resolving trade policy differences.

**For advanced economies**, growth is projected at 1.9% in 2019 and 1.7% in 2020. The 2019 projection is 0.1 percentage point higher than in April, mostly reflecting an upward revision for the United States.

- In the United States, 2019 growth is expected to be 2.6% (0.3 percentage point higher than in the April WEO), moderating to 1.9% in 2020 as the fiscal stimulus unwinds.
- Growth in the euro area is projected at 1.3% in 2019 and 1.6% in 2020 (0.1 percentage point higher than in April). The forecast for 2019 is revised down slightly for Germany, but it is unchanged for France and Italy.

- The United Kingdom is set to expand at 1.3% in 2019 and 1.4% in 2020 (0.1 percentage point higher in 2019 than forecast in the April WEO). The upward revision reflects a stronger-than-anticipated first quarter outturn boosted by pre-Brexit inventory accumulation and stockpiling.
- Japan's economy is set to grow by 0.9% in 2019 (0.1 percentage point lower than anticipated in the April WEO).

**The emerging market and developing economy** group is expected to grow at 4.1% in 2019, rising to 4.7% in 2020. The forecasts for 2019 and 2020 are 0.3 and 0.1 percentage point lower, respectively, than in April, reflecting downward revisions in all major regions.

- Emerging and developing Asia is expected to grow at 6.2% in 2019–20. The forecast is 0.1 percentage point lower than in the April WEO for both years, largely reflecting the impact of tariffs on trade and investment. In China, the negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt.
- In Latin America, activity slowed notably at the start of the year across several economies, mostly reflecting idiosyncratic developments. The region is now expected to grow at 0.6% this year (0.8 percentage point lower than in the April WEO), recovering to 2.3% in 2020.
- Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is expected to be 1.0% in 2019, rising to about 3.0% in 2020. The forecast for 2019 is 0.5 percentage point lower than in the April WEO, largely due to the downward revision to the forecast for Iran (owing to the crippling effect of tighter US sanctions).
- In sub-Saharan Africa, growth is expected at 3.4% in 2019 and 3.6% in 2020, 0.1 percentage point lower for both years than in the April WEO, as strong growth in many non-resource-intensive countries partially offsets the lack-luster performance of the region's largest economies.
- Activity in the Commonwealth of Independent States is projected to grow at 1.9% in 2019, picking up to 2.4% in 2020

**World Economic Outlook Projections (YOY Growth Rate in Percentage)**

	2018	2019P	2020P
<b>World</b>	<b>3.6</b>	<b>3.2</b>	<b>3.5</b>
<b>Advanced Economies</b>	<b>2.2</b>	<b>1.9</b>	<b>1.7</b>
US	2.9	2.6	1.9
Euro Area	1.9	1.3	1.6
Japan	0.8	0.9	0.4
UK	1.4	1.3	1.4
Canada	1.9	1.5	1.9
Other Advanced Economies*	2.6	2.1	2.4
<b>Emerging Markets and Developing Economies</b>	<b>4.5</b>	<b>4.1</b>	<b>4.7</b>
Commonwealth of Independent States	2.7	1.9	2.4
Emerging and Development Asia	6.4	6.2	6.2
<b>India</b>	<b>6.8</b>	<b>7.0</b>	<b>7.2</b>
Emerging and Developing Europe	3.6	1.0	2.3
Latin America and the Caribbean	1.0	0.6	2.3
Middle East, North Africa, Afghanistan and Pakistan	1.6	1.0	3.0
Sub Saharan Africa	3.1	3.4	3.6

Source: PHD Research Bureau, PHDCCI, compiled from IMF World Economic Outlook July 2019

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during April 26-May 24, 2019. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = World Economic Outlook. For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.\* Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries

Multilateral and national policy actions are vital to place global growth on a stronger

footing. The pressing needs include reducing trade and technology tensions and expeditiously resolving uncertainty around trade agreements (including between the United Kingdom and the European Union and the free trade area encompassing Canada, Mexico, and the United States). Specifically, countries should not use tariffs to target bilateral trade balances or as a substitute for dialogue to pressure others for reforms.

### **Outlook for India**

India's economy is set to grow at 7.0% in 2019, picking up to 7.2% in 2020. The downward revision of 0.3 percentage point for both years reflects a weaker-than expected outlook for domestic demand.

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